



Office availability decreases to begin the year but so does leasing activity

After reporting over 2.0 million square feet (msf) of leasing activity in the fourth quarter 2021, leasing activity in the first quarter 2022 dropped significantly to just under 600,000 square feet (sf). While the high amount of leasing activity last quarter was due to a single transaction involving Meta leasing over 707,326 sf, the sharp decrease in leasing activity to begin the year is largely seen as quarterly blip as the overall economy has reopened and companies are trying to get their workers back to the office again. The overall availability rate decreased 90 basis points (bps) from 20.9% reported last quarter to 20.0% this quarter. However, the overall availability rate is still up 160 bps from 18.4% reported a year ago.

Average rental rates continue to increase as tenant flight to quality persists

The overall average rental rate ticked up from \$4.67 per square foot (psf) per month reported last quarter to \$4.73 psf per month this quarter. The Class A average rental rate was also up from \$5.08 psf per month reported last quarter to \$5.18 psf per month this quarter. The highest average rents can be found in Mountain View (\$7.71 psf), Menlo Park (\$7.55 psf), and Palo Alto (\$6.47 psf) as Class A buildings have mostly held their rents flat through the pandemic. In addition, the overall tenant flight to quality persists as companies out in the market looking for space continue to focus on new and recently renovated, heavily amenitized, Class A office projects with a focus on health and wellness.

Increased new construction activity signals optimistic return to office

Significant new construction projects of note include 200 Park in San Jose which is expected to deliver an additional 937,000 sf next year by Jay Paul Company. Over the past year, approximately 3.1 msf of new office space has been delivered to the Silicon Valley office market which has kept market availability high. On the other hand, developers have remained bullish knowing that large technology companies who have been in a war for talent over the past few years will continue to seek out the best office space in the market as they attempt to recruit and retain employees.

Outlook

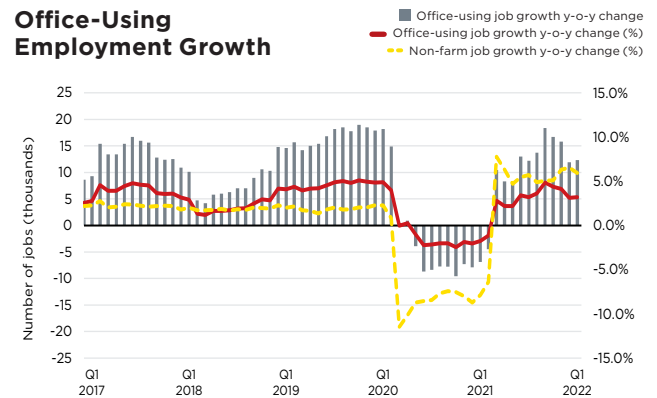
- Expect leasing activity to increase this year as technology companies and professional services firms slowly bring their employees back to the office
- The overall tenant flight to quality is expected to continue as many occupiers focus on new and recently renovated projects
- With a robust development pipeline, office availability could remain high depending on the pace of leasing activity this year

Key Statistics

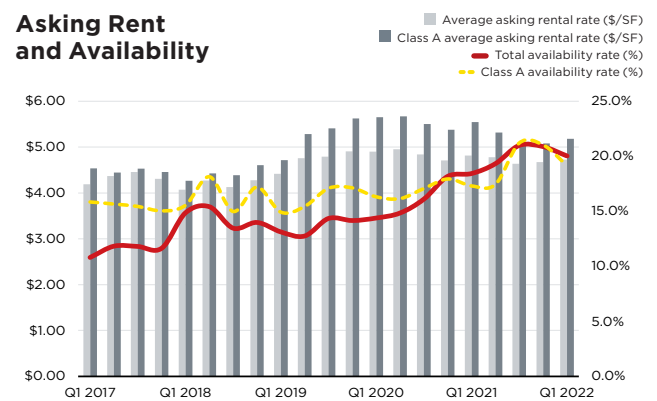
	Q1 2021	Q1 2022	Y-o-Y Change
Inventory	84.8 MSF	86.4 MSF	▲
Availability Rate	18.4%	20.0%	▲
Asking Rental Rate*	\$4.82	\$4.73	▼
Class A Asking Rental Rate*	\$5.54	\$5.18	▼
Quarterly Leasing Activity	0.4 MSF	0.6 MSF	▲
Available Sublease Space	4.4 MSF	4.6 MSF	▲

*Monthly

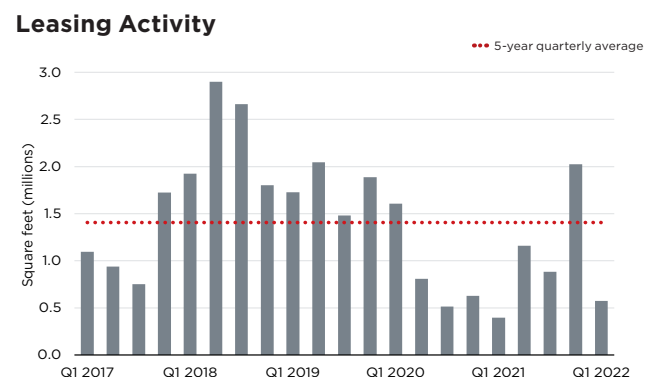
Office-Using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.0%

San Jose-Sunnyvale-Santa Clara MSA unemployment rate (as of Feb. 2022)

3.2%

Office-using employment growth year-over-year (as of Feb. 2022)

2.6 msf

Office space currently under construction

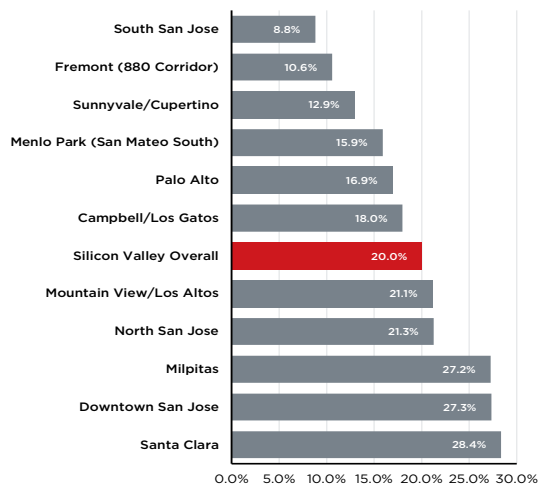
Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Undisclosed	126,594	3111 Coronado Drive	New Location	Santa Clara	Professional Services
Calix	32,496	2777 Orchard Parkway	New Location	North San Jose	TAMI
Clariant Corporation	27,609	3350 W Bayshore Road	New Location	Palo Alto	Manufacturing
HackerRank	16,918	700 E El Camino Real	Renewal	Mountain View/Los Altos	TAMI
CNEX Labs	16,472	2880 Stevens Creek Boulevard	New Location	South San Jose	Healthcare
The Collective	8,990	2150 N 1st Street	New Location	North San Jose	Retail
Techpoint, Inc.	8,488	2550 N 1st Street	Renewal	North San Jose	TAMI
Halo Microelectronics International	6,811	695 Campbell Technology Parkway	New Location	Campbell/Los Gatos	TAMI
Bill.com	5,812	6220 America Center Drive	New Location	North San Jose	TAMI
Arasan Chip Systems, inc	5,030	2150 N 1st Street	New Location	North San Jose	TAMI

Source: Savills Research

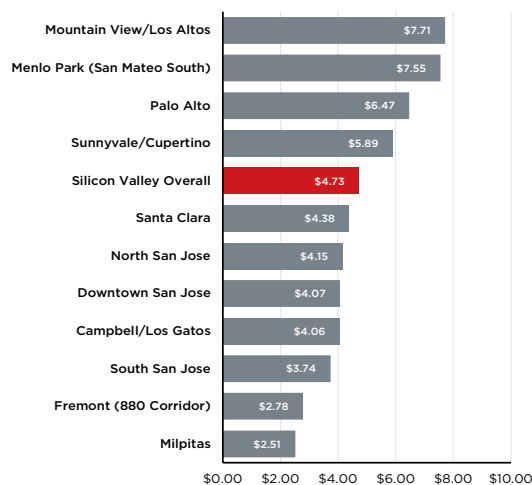
Availability Rate Comparison (%)

Silicon Valley Submarkets



Rental Rate Comparison (\$/SF)

Silicon Valley Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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